



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

March 28, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Dallas County, Iowa.

The County had local tax revenue of \$147,094,210 for the year ended June 30, 2013, which included \$2,781,417 in tax credits from the state. The County forwarded \$127,388,863 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$19,705,347 of the local tax revenue to finance County operations, a 4.1% increase over the prior year. Other revenues included charges for service of \$5,741,542, operating grants, contributions and restricted interest of \$5,428,346, capital grants, contributions and restricted interest of \$3,883,836, unrestricted investment earnings of \$99,240 and other general revenues of \$229,272.

Expenses for County operations for the year ended June 30, 2013 totaled \$29,939,618, a 3.2% decrease from the prior year. Expenses included \$8,917,506 for roads and transportation, \$7,863,672 for public safety and legal services and \$3,081,038 for county environment and education.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0025-B00F.pdf>.

# # #



**DALLAS COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2013**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-7
Management's Discussion and Analysis	9-15
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 18
Statement of Activities	B 19
Governmental Fund Financial Statements:	
Balance Sheet	C 20-23
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 25
Statement of Revenues, Expenditures and Changes in Fund Balances	E 26-27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 28
Proprietary Fund Financial Statements:	
Statement of Net Position	G 29
Statement of Revenues, Expenses and Changes in Fund Net Position	H 30
Statement of Cash Flows	I 31
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 32
Notes to Financial Statements	33-49
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	52-53
Budget to GAAP Reconciliation	54
Notes to Required Supplementary Information – Budgetary Reporting	55
Schedule of Funding Progress for the Retiree Health Plan	56
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 58-59
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 60-61
Internal Service Funds:	
Combining Schedule of Net Position	3 63
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	4 64
Combining Schedule of Cash Flows	5 65
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	6 66-67
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7 68-69
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8 70-71
Schedule of Expenditures of Federal Awards	9 72-73
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	75-76
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	79-80
Schedule of Findings and Questioned Costs	81-87
Staff	88

## **Dallas County**

### **Officials**

#### **(Before January 2013)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Hanson	Board of Supervisors	Jan 2013
Kim Chapman	Board of Supervisors	Jan 2015
Brad Golightly	Board of Supervisors	Jan 2015
Gene Krumm	County Auditor	Jan 2013
Darrell Bauman	County Treasurer	Jan 2015
Chad C. Airhart	County Recorder	Jan 2015
Chad Leonard	County Sheriff	Jan 2013
Wayne M. Reisetter	County Attorney	Jan 2015
Steve C. Helm	County Assessor	Jan 2016

#### **(After January 2013)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kim Chapman	Board of Supervisors	Jan 2015
Brad Golightly	Board of Supervisors	Jan 2015
Mark Hanson	Board of Supervisors	Jan 2017
Gene Krumm	County Auditor	Jan 2017
Darrell Bauman	County Treasurer	Jan 2015
Chad C. Airhart	County Recorder	Jan 2015
Chad Leonard	County Sheriff	Jan 2017
Wayne M. Reisetter	County Attorney	Jan 2015
Steve C. Helm	County Assessor	Jan 2016

**Dallas County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Dallas County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Dallas County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Dallas County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 52 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dallas County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2014 on our consideration of Dallas County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Dallas County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 11, 2014

**Dallas County**

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

This discussion and analysis of Dallas County's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased approximately \$729,000 from fiscal year 2012 to fiscal year 2013, or 2.1%. Capital grants, contributions and restricted interest increased approximately \$2,180,000 while charges for services decreased approximately \$1,148,000 and operating grants, contributions and restricted interest decreased approximately \$1,052,000.
- Program expenses of the County's governmental activities decreased approximately \$990,000, or 3.2%, from fiscal year 2012.
- The County's net position increased 6.8%, or approximately \$5.1 million, from June 30, 2012 to June 30, 2013, compared to an increase of approximately \$3.4 million from June 30, 2011 to June 30, 2012.
- The governmental funds' ending fund balances increased from \$26,348,606 at June 30, 2012 to \$27,336,493 at June 30, 2013.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Dallas County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Dallas County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Dallas County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **REPORTING DALLAS COUNTY AS A WHOLE**

### *Government-wide Financial Statements*

One of the most important questions asked about Dallas County's finances is, "Is Dallas County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents all of Dallas County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Proprietary Funds account for the County's Internal Service, Professional Services and Employee Group Health Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

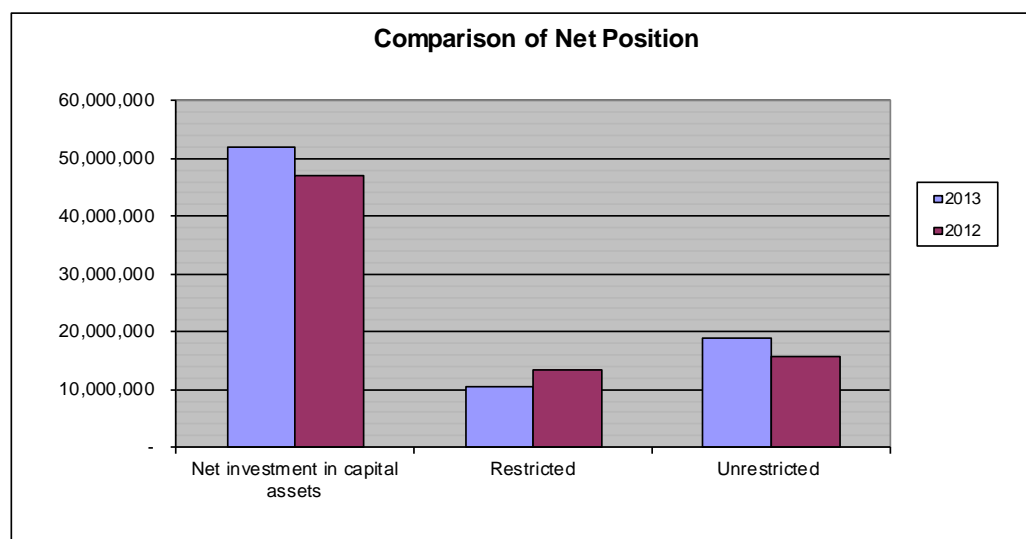
The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Dallas County's combined net position increased from a year ago, increasing from approximately \$76.1 million to approximately \$81.2 million. The analysis that follows focuses on the changes in the net position of governmental activities.

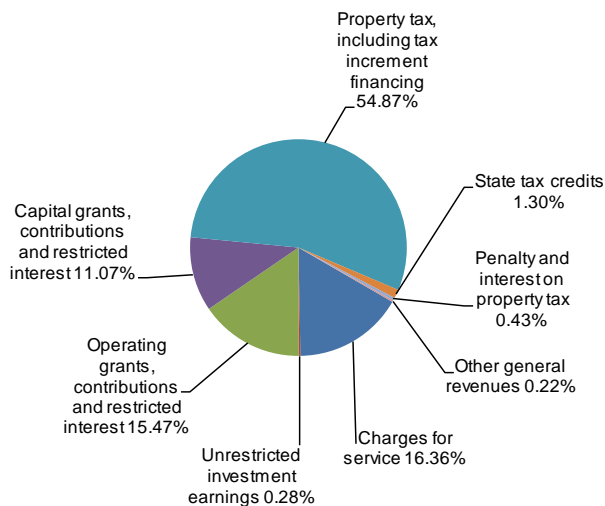
Net Position of Governmental Activities		
	June 30,	
	2013	2012
Current and other assets	\$ 52,454,126	52,188,914
Capital assets	64,810,512	60,942,606
Total assets	117,264,638	113,131,520
Long-term liabilities	13,878,149	14,953,086
Other liabilities	22,179,282	22,119,192
Total liabilities	36,057,431	37,072,278
Net position:		
Net investment in capital assets	52,024,673	47,062,793
Restricted	10,366,434	13,394,381
Unrestricted	18,816,100	15,602,068
Total net position	\$ 81,207,207	76,059,242



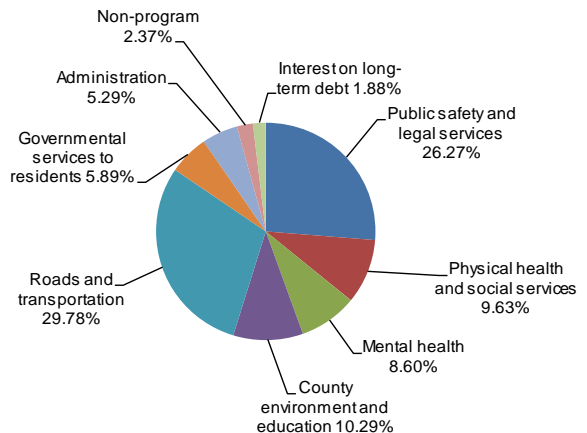
Dallas County's combined net position (which is the County's bottom line) increased \$5,147,965 (a 6.77% increase), compared to a \$3,428,114 increase in fiscal year 2012. The largest portion of Dallas County's net position is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they may be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$3,214,032 over June 30, 2012 to \$18,816,100 at June 30, 2013. This is due, in part, to a decrease in the deficit fund balance in the Special Revenue, Mental Health Fund and a 3.8% increase in property tax revenue.

Changes in Net Position of Governmental Activities			
		Year ended June 30,	
		2013	2012
Revenues:			
Program revenues:			
Charges for service	\$	5,741,542	6,890,003
Operating grants, contributions and restricted interest		5,428,346	6,480,506
Capital grants, contributions and restricted interest		3,883,836	1,703,840
General revenues:			
Property tax, including tax increment financing		19,250,789	18,565,182
Penalty and interest on property tax		152,413	185,758
State tax credits		454,558	362,652
Unrestricted investment earnings		99,240	153,654
Other general revenues		76,859	16,516
Total revenues		35,087,583	34,358,111
Program expenses:			
Public safety and legal services		7,863,672	7,513,942
Physical health and social services		2,883,199	2,696,056
Mental health		2,574,974	4,850,538
County environment and education		3,081,038	3,392,107
Roads and transportation		8,917,506	8,040,831
Governmental services to residents		1,763,806	1,687,158
Administration		1,583,291	1,646,166
Non-program		710,045	483,102
Interest on long-term debt		562,087	620,097
Total expenses		29,939,618	30,929,997
Increase in net position		5,147,965	3,428,114
Net position beginning of year		76,059,242	72,631,128
Net position end of year	\$	81,207,207	76,059,242

Revenues by Source



Expenses by Program



For the year ended June 30, 2013, governmental activities revenues totaled \$35,087,583, an increase of \$729,472 over fiscal year 2012. Property and other county tax revenue, the County's largest revenue source, increased approximately \$686,000, while charges for service decreased approximately \$1,148,000, which was due, in part, to Medicaid reimbursements no longer received by the County.

The cost of all governmental activities this year was \$29,939,618 compared to \$30,929,997 last year, a decrease of \$990,379. However, as shown in the Statement of Activities on page 19, the amounts taxpayers ultimately financed for these activities was approximately \$14.9 million because some of the cost was paid by those directly benefited from the programs (approximately \$5.7 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$9.3 million).

Dallas County's county-wide property tax levy rates decreased from \$8.2330 to \$8.2178 per \$1,000 of taxable valuation for fiscal year 2013. The rural tax levy rate for fiscal year 2013 remained the same at \$3.95 per \$1,000 of taxable valuation. The mental health levy decreased from \$.42755 to \$.41506 per \$1,000 of taxable valuation. The debt service levy decreased from \$.35544 to \$.35274 per \$1,000 of taxable valuation. The total county-wide taxable property valuation increased approximately \$818,000 over the prior year.

## **MAJOR FUND ANALYSIS AND HIGHLIGHTS**

As Dallas County completed the year, its governmental funds reported a combined fund balance of \$27,336,493, which is greater than the fiscal year 2012 combined fund balance of \$26,348,606.

The General Fund's ending fund balance increased \$1,391,537 to \$11,333,571. Of the ending fund balance, approximately \$1.2 million is committed for County conservation and approximately \$1.4 million is committed for other County purposes. The general basic levy rate remained unchanged for fiscal year 2013 and the general supplemental levy rate remained at zero for fiscal year 2013. The total county-wide taxable property valuation increased approximately \$818,000 over the prior year.

Dallas County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund revenues totaled approximately \$2,284,000, a decrease of 37.9% from the prior year. The County was eligible for less funding from the State during fiscal year 2013. Expenditures totaled approximately \$1,791,000, a decrease of 62.7% from the prior year. The decrease is primarily due to the reorganization of mental health services, including the change in the method the State pays for Medicaid reimbursed services. The Mental Health Fund balance at year end increased approximately \$493,000 over the prior year to a deficit of \$472,785 at June 32, 2013. The change in fund balance is primarily due to the receipt of federal funds to pay off outstanding balances.

The Special Revenue, Rural Services Fund ended fiscal year 2013 with a \$353,215 balance, an increase of \$174,586 from the prior year ending balance. The rural services tax levy rate remained unchanged at \$3.95 per \$1,000 of taxable valuation while property valuations increased approximately 4.3%. The majority of the property tax is transferred to the Special Revenue, Secondary Roads Fund. The balance is used for rural contributions for libraries and sanitary disposal projects.

The Special Revenue, Secondary Roads Fund ended fiscal year 2013 with a balance of \$3,477,455, a 9.2% decrease compared to the fiscal year 2012 balance of \$3,830,570. Of the ending fund balance, \$436,933 is nonspendable and \$3,040,522 is restricted for road purposes. Expenditures increased 15.6%, or approximately \$987,000, from the prior year, primarily due to completion of a bridge project.

The Capital Projects Fund ended fiscal year 2013 with a fund balance of \$9,924,658 compared to the fiscal year 2012 balance of \$10,811,905. The increase in expenditures is primarily due to work on the bike trail.

## BUDGETARY HIGHLIGHTS

Over the course of fiscal year 2013, Dallas County amended the operating budget two times. The first amendment was made in September 2012 to increase budgeted disbursements approximately \$680,000 and reduce receipts for State supplemental funding for mental health by \$2,268,429. Disbursements increased \$415,621 for the Sheriff and EMS for projects carried forward from fiscal year 2012 and the equipment replacement schedule, \$153,993 for changes in expenses for Public Health, Veterans and General Assistance, \$179,034 carried over from fiscal year 2012 for various conservation projects, \$471,394 of additional roads projects, \$141,108 of carry over expense for elections, \$332,200 for administration carried forward from fiscal year 2012 and \$877,118 in capital projects for additional road projects, bike trails and planned Courthouse projects. In addition, the mental health function decreased \$1,889,971 due to a decrease in funding assistance. The second amendment was made in May 2013 to increase budgeted disbursements approximately \$712,000 and increase receipts for mental health federal funding by \$652,839. Budgeted disbursements increased \$24,500 for the EMS building and vehicle repair, \$61,104 for public health and environmental health expenses, \$590,129 for mental health due to the additional funding received and \$50,000 for barn repair at the County Farm.

Actual disbursements for the year totaled \$30,452,709, which was \$6,996,262 under budgeted disbursements. The major reason was capital projects disbursements were approximately \$3.3 million under budget because the County match dollars for a proposed jail and administration bond issue did not pass and public safety and legal services disbursements were approximately \$972,000 under budget due to carrying forward capital equipment purchases. Actual net receipts for fiscal year 2013 were \$31,765,158, which was approximately \$188,000 less than budgeted due, in part, to the timing of reimbursable grant receipts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, Dallas County had \$64,810,812 invested in a variety of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This compares to \$60,942,606 at the end of fiscal year 2012. The County's net capital assets increased \$3,867,906, or about 6.3%, over the prior year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2013	2012
Land	\$ 6,115,563	6,115,563
Intangibles, road network	650,456	650,456
Construction in progress	5,976,773	4,140,173
Buildings and improvements	20,546,274	20,494,227
Equipment and vehicles	4,272,618	4,080,998
Intangibles	79,116	94,599
Infrastructure	27,169,712	25,366,590
Total	\$ 64,810,512	60,942,606
This year's major additions included:		
Sheriff vehicles		\$ 189,572
Motorgraders		261,000
Various rural services equipment		148,820
Tandem axle truck and other Secondary Roads equipment		288,595
Granger building		200,793
Wetland Bank development		285,283
County farm renovation		201,821
Bridge project		1,231,264
Road construction		1,799,504
Bike trail project		2,231,641
Total		\$ 6,838,293



More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2013, Dallas County had \$12,787,069 of outstanding debt versus \$13,879,813 last year, a net decrease of \$1,092,744.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2013	2012
Capital lease purchase agreement	\$ 90,010	-
General obligation bonds	9,700,829	10,214,813
General obligation capital loan notes	2,995,000	3,665,000
Drainage district warrants	1,230	-
Total	\$ 12,787,069	13,879,813

The net change is a result of the retirement of \$513,984 of general obligation bonds, the retirement of \$670,000 of general obligation capital loan notes, a net increase of \$1,230 in drainage district warrants and an increase in capital lease purchase agreements of \$90,010. Article XI, Section 3 of the Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the actual value of all taxable property within the County's corporate limits. Dallas County's outstanding general obligation debt is significantly below its constitutional debt limit (\$6,724,854,125 X .05 = \$336,242,706). Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Dallas County's elected and appointed officials and citizens considered numerous issues when setting the fiscal year 2014 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. In an ongoing effort to maintain County services without raising tax levies, the Dallas County Board of Supervisors is committed to limiting disbursement increases and using any excess fund balances to provide services.

Dallas County is the fastest growing county in Iowa. It was ranked 14<sup>th</sup> in the nation for growth between April 2011 and July 2012 with a 5% increase in population. The unemployment rate in Dallas County stands at 3.2% as of June 2013, compared to last year's rate of 4% and the State average of 4.4%. Budgeted disbursements for the fiscal year 2014 operating budget are approximately \$39.4 million, an increase of about \$8.9 million in spending from the prior year's actual disbursements. The increase is due, in part, to planned space expansion. The budget estimates a total ending fund balance of approximately \$13.4 million at the close of fiscal year 2014.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Dallas County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Connie Kinnard at the Operations Administration Office, 801 Court Street, Adel, Iowa 50003.

**Dallas County**

## **Basic Financial Statements**

**Exhibit A**

Dallas County  
Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, pooled investments and cash equivalents	\$ 32,359,126
Receivables:	
Property tax:	
Delinquent	13,514
Succeeding year	18,671,000
Interest and penalty on property tax	10,484
Succeeding year tax increment financing	97,000
Accounts	238,331
Accrued interest	4,351
Drainage assessments	1,230
Due from other governments	462,062
Inventories	408,905
Prepaid insurance	144,864
Capital assets, net of accumulated depreciation/amortization	64,810,512
Unamortized bond issue costs	43,259
<b>Total assets</b>	<u>117,264,638</u>
<b>Liabilities</b>	
Accounts payable	1,500,159
Accrued interest payable	47,656
Salaries and benefits payable	451,674
Due to other governments	1,411,793
Deferred revenue:	
Succeeding year property tax	18,671,000
Succeeding year tax increment financing	97,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	32,036
General obligation bonds	865,000
General obligation capital loan notes	425,000
Drainage district warrants	1,230
Compensated absences	567,674
Portion due or payable after one year:	
Capital lease purchase agreement	57,974
General obligation bonds	8,835,829
General obligation capital loan notes	2,570,000
Compensated absences	352,006
Net OPEB liability	171,400
<b>Total liabilities</b>	<u>36,057,431</u>
<b>Net Position</b>	
Net investment in capital assets	52,024,673
Restricted for:	
Supplemental levy purposes	891,977
Rural services purposes	312,939
Secondary roads purposes	3,108,962
Economic development loans	405,688
Debt service	445,483
Capital projects	379,091
Drainage districts	76,390
Other purposes	4,745,904
Unrestricted	18,816,100
<b>Total net position</b>	<u><u>\$ 81,207,207</u></u>

See notes to financial statements.

Dallas County  
Statement of Activities  
Year ended June 30, 2013

		Program Revenues			
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Interest	Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 7,863,672	783,176	200,277	-	(6,880,219)
Physical health and social services	2,883,199	1,215,333	558,313	-	(1,109,553)
Mental health	2,574,974	599,641	761,352	-	(1,213,981)
County environment and education	3,081,038	222,514	501,816	853,068	(1,503,640)
Roads and transportation	8,917,506	121,119	3,356,877	3,030,768	(2,408,742)
Governmental services to residents	1,763,806	1,847,462	1,577	-	85,233
Administration	1,583,291	59,918	8,121	-	(1,515,252)
Non-program	710,045	892,379	40,013	-	222,347
Interest on long-term debt	562,087	-	-	-	(562,087)
Total	\$29,939,618	5,741,542	5,428,346	3,883,836	(14,885,894)
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					17,676,050
Debt service					1,465,210
Tax increment financing					109,529
Penalty and interest on property tax					152,413
State tax credits					454,558
Unrestricted investment earnings					99,240
Miscellaneous					76,859
Total general revenues					20,033,859
Change in net position					5,147,965
Net position beginning of year					76,059,242
Net position end of year					\$ 81,207,207

See notes to financial statements.

Dallas County  
Balance Sheet  
Governmental Funds

June 30, 2013

		Special	
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 11,413,858	1,074,365	356,573
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	8,806	1,047	2,756
Succeeding year	12,120,000	1,478,000	3,663,000
Interest and penalty on property tax	10,484	-	-
Succeeding year tax increment financing	-	-	-
Accounts	111,248	-	-
Accrued interest	2,741	-	-
Drainage assessments	-	-	-
Due from other funds	6,674	-	-
Due from other governments (net of allowance for doubtful ambulance accounts of \$295,437)	414,936	7,138	-
Inventories	-	-	-
Prepaid insurance	116,494	134	-
<b>Total assets</b>	<b>\$ 24,205,241</b>	<b>2,560,684</b>	<b>4,022,329</b>

Revenue			
Secondary Roads	Capital Projects	Nonmajor	Total
3,598,766	9,986,718	2,602,161	29,032,441
-	-	112,073	112,073
-	-	905	13,514
-	-	1,410,000	18,671,000
-	-	-	10,484
-	-	97,000	97,000
5,261	109,448	175	226,132
-	-	784	3,525
-	-	1,230	1,230
-	-	-	6,674
12,169	19,683	7,924	461,850
408,905	-	-	408,905
28,028	-	-	144,656
4,053,129	10,115,849	4,232,252	49,189,484

(Continued)

Dallas County  
Balance Sheet  
Governmental Funds

June 30, 2013

			Special
		Mental	Rural
	General	Health	Services
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 293,912	160,591	2,746
Salaries and benefits payable	314,021	25,885	943
Due to other funds	-	6,674	-
Due to other governments	38,545	1,361,343	-
Deferred revenue:			
Succeeding year property tax	12,120,000	1,478,000	3,663,000
Succeeding year tax increment financing	-	-	-
Other	105,192	976	2,425
Total liabilities	12,871,670	3,033,469	3,669,114
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	116,494	134	-
Restricted for:			
Supplemental levy purposes	877,477	-	-
Forfeitures	-	-	-
Rural services purposes	-	-	353,215
Secondary roads purposes	-	-	-
Drainage districts	-	-	-
Conservation land acquisition/capital improvements	130,983	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	154,523	-	-
Committed for:			
County conservation	1,239,046	-	-
Public health	862,167	-	-
County farm	237,802	-	-
County care facility	179,366	-	-
Jail commissary	94,258	-	-
Assigned for:			
Departmental purposes	871,320	-	-
Equipment	718,569	-	-
Capital projects	-	-	-
Unassigned	5,851,566	(472,919)	-
Total fund balances	11,333,571	(472,785)	353,215
<b>Total liabilities and fund balances</b>	<b>\$ 24,205,241</b>	<b>2,560,684</b>	<b>4,022,329</b>

See notes to financial statements.



Revenue			
Secondary Roads	Capital Projects	Nonmajor	Total
486,520	81,365	2,807	1,027,941
82,451	-	-	423,300
-	-	-	6,674
6,703	378	-	1,406,969
-	-	1,410,000	18,671,000
-	-	97,000	97,000
-	109,448	2,066	220,107
575,674	191,191	1,511,873	21,852,991
408,905	-	-	408,905
28,028	-	-	144,656
-	-	-	877,477
-	-	412,884	412,884
-	-	-	353,215
3,040,522	-	-	3,040,522
-	-	76,390	76,390
-	-	855,800	986,783
-	-	492,303	492,303
-	379,091	-	379,091
-	-	883,002	1,037,525
-	-	-	1,239,046
-	-	-	862,167
-	-	-	237,802
-	-	-	179,366
-	-	-	94,258
-	-	-	871,320
-	-	-	718,569
-	9,545,567	-	9,545,567
-	-	-	5,378,647
3,477,455	9,924,658	2,720,379	27,336,493
4,053,129	10,115,849	4,232,252	49,189,484

**Dallas County**

Dallas County  
Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Position

June 30, 2013

**Total governmental fund balances (page 23)** \$ 27,336,493

***Amounts reported for governmental activities in the Statement of Net Position are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets, excluding Internal Service Funds, is \$100,780,426 and the accumulated depreciation/amortization is \$36,454,404.

64,326,022

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.

220,107

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position, as follows:

Capital assets of \$981,715, less accumulated depreciation/amortization of \$497,225

\$ 484,490

Compensated absences

(50,501)

Net OPEB liability

(8,893)

Other net position

2,722,641

3,147,737

Bond issue costs are reported as current expenditures in the governmental funds. However, bond issue costs are amortized over the life of the bonds and the unamortized cost is included in governmental activities in the Statement of Net Position.

43,259

Long-term liabilities, including general obligation bonds payable, general obligation capital loan notes payable, capital lease purchase agreement payable, drainage district warrants payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(13,866,411)

**Net position of governmental activities (page 18)**

\$ 81,207,207

See notes to financial statements.

Dallas County

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2013

		Special	
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 12,548,330	1,488,077	3,639,643
Interest and penalty on property tax	152,413	-	-
Tax increment financing	-	-	-
Intergovernmental	2,939,876	791,471	114,206
Licenses and permits	142,234	-	-
Charges for service	2,831,767	-	-
Use of money and property	181,107	-	-
Miscellaneous	351,271	4,003	-
Total revenues	19,146,998	2,283,551	3,753,849
Expenditures:			
Operating:			
Public safety and legal services	7,541,115	-	-
Physical health and social services	2,872,561	-	-
Mental health	699,832	1,790,610	-
County environment and education	2,499,541	-	255,540
Roads and transportation	-	-	470,805
Governmental services to residents	1,735,681	-	-
Administration	1,512,103	-	-
Non-program	76,578	-	-
Debt service	172,065	-	-
Capital projects	-	-	-
Total expenditures	17,109,476	1,790,610	726,345
Excess (deficiency) of revenues over (under) expenditures	2,037,522	492,941	3,027,504
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(645,985)	-	(2,852,918)
Capital lease purchase agreement	-	-	-
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources (uses)	(645,985)	-	(2,852,918)
Change in fund balances	1,391,537	492,941	174,586
Fund balances beginning of year	9,942,034	(965,726)	178,629
Fund balances end of year	\$ 11,333,571	(472,785)	353,215

See notes to financial statements.

Revenue			
Secondary Roads	Capital Projects	Nonmajor	Total
-	-	1,465,210	19,141,260
-	-	-	152,413
-	-	109,529	109,529
3,416,661	637,038	584,170	8,483,422
200	-	-	142,434
-	38,544	25,301	2,895,612
1,072	-	117,484	299,663
107,981	47,618	136,575	647,448
3,525,914	723,200	2,438,269	31,871,781
8,970	-	85,505	7,635,590
-	-	-	2,872,561
-	-	-	2,490,442
-	6,626	75,476	2,837,183
7,145,037	-	-	7,615,842
-	-	13,780	1,749,461
-	-	-	1,512,103
-	-	34,933	111,511
-	-	1,576,060	1,748,125
172,834	2,229,482	-	2,402,316
7,326,841	2,236,108	1,785,754	30,975,134
(3,800,927)	(1,512,908)	652,515	896,647
3,357,802	625,661	73,641	4,057,104
-	-	(558,201)	(4,057,104)
90,010	-	-	90,010
-	-	1,230	1,230
3,447,812	625,661	(483,330)	91,240
(353,115)	(887,247)	169,185	987,887
3,830,570	10,811,905	2,551,194	26,348,606
3,477,455	9,924,658	2,720,379	27,336,493

## Dallas County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2013

**Change in fund balances - Total governmental funds (page 27)** \$ 987,887

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 3,894,911	
Capital assets contributed by the Iowa Department of Transportation	3,030,768	
Depreciation/amortization expense	<u>(3,174,995)</u>	3,750,684

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds. (589,543)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Repayments exceeded

Issued	(91,240)	
Repaid	<u>1,180,000</u>	1,088,760

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	6,030	
Interest on long-term debt	6,038	
Other postemployment benefits	(20,788)	
Amortization of bond issuance premium	3,984	
Amortization of bond issue costs	<u>(6,180)</u>	(10,916)

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The increase in net position of the Internal Service Funds is included in governmental activities in the Statement of Net Position. (78,907)

**Change in net position of governmental activities (page 19)** \$ 5,147,965

See notes to financial statements

Dallas County  
Statement of Net Position  
Proprietary Funds  
June 30, 2013

	<u>Internal Service</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,214,612
Receivables:	
Accounts	12,199
Accrued interest	826
Due from other governments	212
Prepaid insurance	208
Capital assets, net of accumulated depreciation	484,490
<b>Total assets</b>	<u>3,712,547</u>
<b>Liabilities</b>	
Accounts payable	472,218
Salaries and benefits payable	28,374
Due to other governments	4,824
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	35,728
Portion due or payable after one year:	
Compensated absences	14,773
Net OPEB liability	8,893
<b>Total liabilities</b>	<u>564,810</u>
<b>Net Position</b>	
Net investment in capital assets	484,490
Unrestricted	2,663,247
<b>Total net position</b>	<u>\$ 3,147,737</u>

See notes to financial statements.

Dallas County  
Statement of Revenues, Expenses and  
Changes in Fund Net Position  
Proprietary Funds

Year ended June 30, 2013

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and other governmental units		\$ 4,330,359
Reimbursements from employees and others		452,432
Insurance reimbursements		105,890
Miscellaneous		<u>5,937</u>
Total operating revenues		4,894,618
Operating expenses:		
Medical claims	\$ 2,479,158	
Administrative and other fees	360,022	
Central services	428,298	
Information technology	1,129,711	
Operations administration	250,805	
Human resources	<u>299,922</u>	4,947,916
Operating loss		<u>(53,298)</u>
Non-operating revenues (expenses):		
Interest income		4,684
Loss on disposal of capital assets		<u>(30,293)</u>
Non-operating revenues (expenses)		<u>(25,609)</u>
Net loss		(78,907)
Net position beginning of year		<u>3,226,644</u>
Net position end of year		<u><u>\$ 3,147,737</u></u>
See notes to financial statements.		



Dallas County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2013

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating funds and other reimbursements	\$ 4,788,072
Cash received from insurance reimbursements	96,936
Cash paid to suppliers for services	<u>(4,672,876)</u>
Net cash provided by operating activities	212,132
Cash flows from capital and related financing activities:	
Purchase of equipment	(254,766)
Cash flows from investing activities:	
Interest on investments	<u>5,246</u>
Net decrease in cash and cash equivalents	(37,388)
Cash and cash equivalents beginning of year	<u>3,252,000</u>
Cash and cash equivalents end of year	<u><u>\$ 3,214,612</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (53,298)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	107,251
Changes in assets and liabilities:	
Increase in accounts receivable and due from other governments	(9,610)
Decrease in prepaid insurance	161
Increase in accounts payable and due to other governments	163,916
Increase in salaries and benefits payable	663
Decrease in compensated absences	(944)
Increase in net OPEB liability	<u>3,993</u>
Net cash provided by operating activities	<u><u>\$ 212,132</u></u>

See notes to financial statements.

Dallas County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 3,905,173
Other County officials	173,110

Receivables:

Property tax:

Delinquent	77,292
Succeeding year	125,167,000

Accounts	66,562
----------	--------

Accrued interest	25
------------------	----

Special assessments	1,257,101
---------------------	-----------

Due from other funds	2,139
----------------------	-------

Due from other governments	87
----------------------------	----

Prepaid insurance	3,406
-------------------	-------

<b>Total assets</b>	<u>130,651,895</u>
---------------------	--------------------

**Liabilities**

Accounts payable	19,865
------------------	--------

Salaries and benefits payable	28,877
-------------------------------	--------

Due to other funds	2,139
--------------------	-------

Due to other governments	130,320,025
--------------------------	-------------

Trusts payable	206,205
----------------	---------

Compensated absences	74,784
----------------------	--------

<b>Total liabilities</b>	<u>130,651,895</u>
--------------------------	--------------------

<b>Net Position</b>	<u><u>\$ -</u></u>
---------------------	--------------------

See notes to financial statements.

Dallas County

Notes to Financial Statements

June 30, 2013

**(1) Summary of Significant Accounting Policies**

Dallas County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Dallas County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Dallas County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

**Blended Component Units** – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Eighty-four drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Dallas County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Dallas County Auditor's Office.

The Dallas County Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Dallas County Conservation Board. These donations are to be used to purchase items not included in the County's budget. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission and the Dallas County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the North Dallas Regional Solid Waste Planning Commission and the Dallas County Housing Trust, jointly governed organizations established pursuant to Chapters 28E and 504A, respectively, of the Code of Iowa.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net asset use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Proprietary Funds – Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective

on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	10 - 50
Other improvements	10 - 35
Infrastructure	20 - 65
Equipment	2 - 50
Vehicles	3 - 20
Intangibles	3 - 20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable and succeeding year tax increment financing that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.



In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### (2) **Cash, Pooled Investments and Cash Equivalents**

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$755,298 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	<u>\$ 6,674</u>

The balance results from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 504,884
	Special Revenue: Rural Services	2,852,918
Capital Projects	General	141,101
	Special Revenue: Wetland Bank Maintenance	484,560
Debt Service	Special Revenue: Tax Increment Financing	<u>73,641</u>
Total		<u>\$ 4,057,104</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 6,115,563	-	-	6,115,563
Intangibles, road network	650,456	-	-	650,456
Construction in progress	4,140,173	5,658,061	(3,821,461)	5,976,773
Total capital assets not being depreciated/amortized	10,906,192	5,658,061	(3,821,461)	12,742,792
Capital assets being depreciated/amortized:				
Buildings	28,148,123	360,034	-	28,508,157
Improvements other than buildings	463,429	285,283	-	748,712
Equipment and vehicles	11,062,004	1,714,253	(935,829)	11,840,428
Intangibles	132,880	-	-	132,880
Infrastructure, road network and other	44,580,128	3,209,044	-	47,789,172
Total capital assets being depreciated/amortized	84,386,564	5,568,614	(935,829)	89,019,349
Less accumulated depreciation/amortization for:				
Buildings	8,036,599	550,325	-	8,586,924
Improvements other than buildings	80,726	42,945	-	123,671
Equipment and vehicles	6,981,006	1,267,571	(680,767)	7,567,810
Intangibles	38,281	15,483	-	53,764
Infrastructure, road network and other	19,213,538	1,405,922	-	20,619,460
Total accumulated depreciation/amortization	34,350,150	3,282,246	(680,767)	36,951,629
Total capital assets being depreciated/amortized, net	50,036,414	2,286,368	(255,062)	52,067,720
Governmental activities capital assets, net	\$ 60,942,606	7,944,429	(4,076,523)	64,810,512

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 637,900
Physical health and social services	12,449
Mental health	86,909
County environment and education	250,853
Roads and transportation	2,094,686
Governmental services to residents	5,630
Administration	193,819
Total depreciation/amortization expense - governmental activities	\$ 3,282,246

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 38,545
Special Revenue:		
Mental Health	Services	1,361,343
Secondary Roads		6,703
Capital Projects		378
Total for governmental funds		<u>\$ 1,406,969</u>
Agency:		
County Assessor	Collections	\$ 1,832,643
Schools		68,308,467
Community Colleges		2,660,056
Corporations		49,638,971
City Special Assessments		1,297,709
Auto License and Use Tax		1,904,136
All other		4,678,043
Total for agency funds		<u>\$ 130,320,025</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Capital Lease Purchase Agreement	General Obligation Bonds (1)	General Obligation Capital Loan Notes	Drainage District Warrants	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ -	10,214,813	3,665,000	-	926,654	146,619	14,953,086
Increases	90,010	-	-	1,230	664,414	66,481	822,135
Decreases	-	513,984	670,000	-	671,388	41,700	1,897,072
Balance end of year	<u>\$ 90,010</u>	<u>9,700,829</u>	<u>2,995,000</u>	<u>1,230</u>	<u>919,680</u>	<u>171,400</u>	<u>13,878,149</u>
Due within one year	<u>\$ 32,036</u>	<u>865,000</u>	<u>425,000</u>	<u>1,230</u>	<u>567,674</u>	<u>-</u>	<u>1,890,940</u>

(1) The unamortized premium on the bonds was \$40,829 at June 30, 2013.

**Capital Lease Purchase Agreement**

The County entered into a capital lease purchase agreement to lease two secondary roads tractors with a cost of \$110,000. The following is a schedule of the future minimum lease payments, including interest at 3.30% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2013:

Year Ending June 30,	Amount
2014	32,036
2015	32,036
2016	32,036
Total minimum lease payments	96,108
Less amount representing interest	(6,098)
Present value of net minimum lease payments	<u>\$ 90,010</u>

#### General Obligation Bonds

A summary of the County's June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Courthouse Improvements			Courthouse, Jail and Administrative Offices		
	Issued December 28, 2005			Issued June 1, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	3.75%	\$ 765,000	293,075	4.00%	\$ 100,000	78,655
2015	3.75	855,000	264,418	4.00	100,000	74,655
2016	3.75	985,000	232,355	4.00	100,000	70,655
2017	3.75	1,065,000	195,418	4.00	115,000	66,655
2018	3.80	1,215,000	155,480	4.00	115,000	62,055
2019-2023	3.85-3.90	2,820,000	167,030	4.00	635,000	238,675
2024-2028		-	-	4.00-4.125	790,000	98,956
Total		7,705,000	<u>1,307,776</u>		1,955,000	<u>690,306</u>
Unamortized premium		14,941			25,888	
Bonds payable		<u>\$ 7,719,941</u>			<u>\$ 1,980,888</u>	

Year Ending June 30,	Total		
	Principal	Interest	Total
2014	\$ 865,000	371,730	1,236,730
2015	955,000	339,073	1,294,073
2016	1,085,000	303,010	1,388,010
2017	1,180,000	262,073	1,442,073
2018	1,330,000	217,535	1,547,535
2019-2023	3,455,000	405,705	3,860,705
2024-2028	790,000	98,956	888,956
Total	9,660,000	<u>1,998,082</u>	<u>11,658,082</u>
Unamortized premium	40,829		
Bonds payable	<u>\$ 9,700,829</u>		

During the year ended June 30, 2013, the County retired \$510,000 of bonds.

### General Obligation Capital Loan Notes

A summary of the County's June 30, 2013 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	Ortonville Business Park Issued August 1, 2000			Capital Improvements Issued March 1, 2002		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	5.10%	\$ 135,000	65,207	4.75%	\$ 150,000	56,187
2015	5.20	150,000	58,322	4.75	150,000	49,063
2016	5.25	160,000	50,522	4.75	160,000	41,937
2017	5.30	175,000	42,121	4.75	165,000	34,338
2018	5.35	185,000	32,846	4.75	175,000	26,500
2019-2020	5.40	425,000	34,830	5.00	355,000	26,750
Total		<u>\$ 1,230,000</u>	<u>283,848</u>		<u>\$ 1,155,000</u>	<u>234,775</u>

Year Ending June 30,	Maintenance Facility Issued April 1, 2002			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	4.80%	\$ 140,000	30,220	425,000	151,614	576,614
2015	5.00	150,000	23,500	450,000	130,885	580,885
2016	5.00	155,000	16,000	475,000	108,459	583,459
2017	5.00	165,000	8,250	505,000	84,709	589,709
2018		-	-	360,000	59,346	419,346
2019-2020		-	-	780,000	61,580	841,580
Total		<u>\$ 610,000</u>	<u>77,970</u>	<u>2,995,000</u>	<u>596,593</u>	<u>3,591,593</u>

During the year ended June 30, 2013, the County retired \$670,000 of general obligation capital loan notes.

### **(8) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$972,556, \$933,105 and \$800,413, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 203 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits, which is a partially self-funded medical plan, is administered by First Administrators. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 66,563
Interest on net OPEB obligation	5,718
Adjustment to annual required contribution	<u>(5,800)</u>
Annual OPEB cost	66,481
Contributions made	<u>(41,700)</u>
Increase in net OPEB obligation	24,781
Net OPEB obligation beginning of year	<u>146,619</u>
Net OPEB obligation end of year	<u>\$ 171,400</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$41,700 to the medical plan. Plan members eligible for benefits contributed \$86,100, or 67% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 61,275	50.9%	\$ 90,407
2012	90,507	37.9	146,619
2013	66,481	62.7	171,400

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$614,200, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$614,200. The covered payroll (annual payroll of active employees covered by the plan) was \$11,759,000 and the ratio of the UAAL to covered payroll was 5.22%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$497 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of



any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2013 were \$306,275.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$500,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2013 was \$2,226,743.

Amounts payable from the Employee Group Health Fund at June 30, 2013 total \$349,663, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$2,018,323 at June 30, 2013 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 201,592
Incurred claims (including claims incurred but not reported at June 30, 2013)	2,479,158
Payment on claims during the fiscal year	<u>(2,331,087)</u>
Unpaid claims end of year	<u>\$ 349,663</u>

**(12) Industrial Development Revenue Bonds**

In August 2000, the County issued \$13,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds are payable solely from the revenues derived and do not constitute a liability of the County.

**(13) YMCA Revenue Bond**

In November 2008, the County issued \$7,000,000 of revenue bonds for the purpose of lending the proceeds to the Young Men's Christian Association (YMCA) of Greater Des Moines, Iowa. The proceeds were used for constructing, improving and equipping a new YMCA facility in Waukee, Iowa. The bonds are payable solely from YMCA revenues and do not constitute a liability of the County.

**(14) Economic Development Agreements**

In November 2003, the County entered into a private development agreement with the City of DeSoto and Oak Hill Plantation, L.C. The County agreed to make certain economic development grants to the developer to reimburse the developer for a portion of the cost of the public improvements constructed. The grant payments to be made equal 50% of the tax increment financing collected by the County, but shall not exceed the actual cost

of the public improvements or \$5,500,000. Payments totaling \$17,944 were made to the developer under the terms of the agreement during the year ended June 30, 2013. The cumulative amount paid to the developer at June 30, 2013 was \$106,076.

In February 2008, the County entered into a 28E agreement with the City of West Des Moines to aid in financing an economic development project. The project will be financed through tax increment financing by the City as well as additional funding granted through the County as determined in the 28E agreement. The agreement began in fiscal year 2009 and continues through fiscal year 2019. Payments totaling \$505,655 were made from the General Fund to the City under the terms of the 28E agreement during the year ended June 30, 2013. The cumulative amount paid to the City at June 30, 2013 was \$2,069,543.

In April 2010, the County amended the agreement dated October 2008 with the City of West Des Moines to financially participate in the financing of an economic development project. The County agreed to pay \$307,875, or one half, of the initial costs previously incurred by the City associated with the Microsoft Corporation data center. Beginning with the fiscal year immediately following Microsoft Corporation's announcement to begin construction of a data center, the County will make semi-annual payments of \$220,000 in January and June of each year for the next nine fiscal years. A final payment of \$132,125 will be made in January of the following fiscal year. During fiscal year 2013, the County paid \$440,000 from the General Fund to the City for initial costs incurred for the project. The cumulative amount paid to the City at June 30, 2013 was \$1,627,875.

**(15) Pending Litigation**

The County is a defendant in several lawsuits seeking specified and unspecified amounts of damages. The probability and amount of loss, if any, is indeterminable.

**(16) Operating Leases**

The County is the lessee in five operating leases. The County leases land used for Dallas County offices requiring public access. The County also leases two buildings used for Dallas County offices. The future minimum rental payments for these leases are as follows:

Year Ending June 30,	Amount
2014	\$ 131,753
2015	45,010
Total	<u>\$ 176,763</u>

Rental expense for the year ended June 30, 2013 for all operating leases, except those with terms of a month or less which were not renewed, totaled \$137,550.

**(17) County Farm Lease**

The County owns the Dallas County Farm (Farm). Effective March 2, 2011, the County entered into a three-year lease with Des Moines Area Community College (DMACC) whereby DMACC operates the Farm. The County is to receive \$43,944 in land and building rent annually.

**(18) Deficit Fund Balance**

At June 30, 2013, the Special Revenue, Mental Health Fund had a deficit fund balance of \$472,785. The deficit will be eliminated upon receipt of future State mental health funds.

**Dallas County**

### **Required Supplementary Information**

Dallas County

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2013

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 19,251,406	-	19,251,406
Interest and penalty on property tax	152,413	-	152,413
Intergovernmental	8,488,079	-	8,488,079
Licenses and permits	139,230	-	139,230
Charges for service	2,887,166	-	2,887,166
Use of money and property	301,525	23,721	277,804
Miscellaneous	660,138	91,078	569,060
Total receipts	31,879,957	114,799	31,765,158
Disbursements:			
Public safety and legal services	7,580,467	-	7,580,467
Physical health and social services	2,856,598	-	2,856,598
Mental health	2,378,150	-	2,378,150
County environment and education	2,843,593	39,589	2,804,004
Roads and transportation	7,121,558	-	7,121,558
Governmental services to residents	1,747,309	-	1,747,309
Administration	1,478,805	-	1,478,805
Non-program	127,114	34,934	92,180
Debt service	1,718,125	-	1,718,125
Capital projects	2,675,513	-	2,675,513
Total disbursements	30,527,232	74,523	30,452,709
Excess (deficiency) of receipts over (under) disbursements	1,352,725	40,276	1,312,449
Other financing sources, net	538,400	1,230	537,170
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,891,125	41,506	1,849,619
Balance beginning of year	27,253,389	146,957	27,106,432
Balance end of year	\$ 29,144,514	188,463	28,956,051

See accompanying independent auditor's report.

---

Budgeted Amounts		Final to
Original	Final	Net
		Variance
19,830,809	19,742,434	(491,028)
154,000	154,000	(1,587)
10,556,484	8,940,894	(452,815)
111,527	111,527	27,703
2,260,435	2,290,627	596,539
355,275	359,897	(82,093)
340,326	353,923	215,137
33,608,856	31,953,302	(188,144)
8,112,572	8,552,693	972,226
2,871,143	3,086,240	229,642
4,118,726	2,818,884	440,734
2,853,297	3,032,331	228,327
7,404,697	7,876,091	754,533
1,944,095	2,071,919	324,610
1,805,090	2,137,290	658,485
58,000	108,000	15,820
1,755,674	1,755,674	37,549
5,132,731	6,009,849	3,334,336
36,056,025	37,448,971	6,996,262
(2,447,169)	(5,495,669)	6,808,118
-	-	537,170
(2,447,169)	(5,495,669)	7,345,288
19,062,835	26,933,202	173,230
16,615,666	21,437,533	7,518,518

---

---

Dallas County  
Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
Required Supplementary Information  
Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 31,879,957	(8,176)	31,871,781
Expenditures	30,527,232	447,902	30,975,134
Net	1,352,725	(456,078)	896,647
Other financing sources, net	538,400	(447,160)	91,240
Beginning fund balances	27,253,389	(904,783)	26,348,606
Ending fund balances	\$ 29,144,514	(1,808,021)	27,336,493

See accompanying independent auditor's report.



Dallas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, Internal Service Funds and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,392,946. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted by function.

---

Dallas County

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)			
2010	July 1, 2008	-	\$ 450	450	0.00%	\$ 8,690	5.20%
2011	July 1, 2010	-	486	486	0.00	9,502	5.10
2012	July 1, 2010	-	486	486	0.00	10,313	4.70
2013	July 1, 2012	-	614	614	0.00	11,759	5.22

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

Dallas County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2013

	Tax Increment Financing	Wetland Bank Maintenance	County Sheriff Forfeiture	Sheriff Federal Forfeiture	County Attorney Forfeiture
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	184,941	356,916	38,701	11,445
Conservation Foundation	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Succeeding year					
tax increment financing	97,000	-	-	-	-
Accounts	-	-	175	-	-
Accrued interest	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other governments	-	-	-	7,913	11
<b>Total assets</b>	<b>\$ 97,000</b>	<b>184,941</b>	<b>357,091</b>	<b>46,614</b>	<b>11,456</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	-	887	-	1,390
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Succeeding year tax increment financing	97,000	-	-	-	-
Other	-	-	-	-	-
Total liabilities	97,000	-	887	-	1,390
Fund balances:					
Restricted for:					
Forfeitures	-	-	356,204	46,614	10,066
Drainage	-	-	-	-	-
Conservation land acquisition/ capital improvements	-	-	-	-	-
Debt service	-	-	-	-	-
Other purposes	-	184,941	-	-	-
Total fund balances	-	184,941	356,204	46,614	10,066
<b>Total liabilities and fund balances</b>	<b>\$ 97,000</b>	<b>184,941</b>	<b>357,091</b>	<b>46,614</b>	<b>11,456</b>

See accompanying independent auditor's report.

Special Revenue								
Courthouse Restoration	County Recorder's Records Management	Economic Development	Resource Enhancement and Protection	Conservation Conditional Use	Drainage Districts	Conservation Foundation	Debt Service	Total
3,379	78,458	405,688	98,938	855,636	76,390	-	491,669	2,602,161
-	-	-	-	-	-	112,073	-	112,073
-	-	-	-	-	-	-	905	905
-	-	-	-	-	-	-	1,410,000	1,410,000
-	-	-	-	-	-	-	-	97,000
-	-	-	-	-	-	-	-	175
-	-	-	55	164	-	-	565	784
-	-	-	-	-	1,230	-	-	1,230
-	-	-	-	-	-	-	-	7,924
3,379	78,458	405,688	98,993	855,800	77,620	112,073	1,903,139	4,232,252
-	530	-	-	-	-	-	-	2,807
-	-	-	-	-	-	-	1,410,000	1,410,000
-	-	-	-	-	-	-	-	97,000
-	-	-	-	-	1,230	-	836	2,066
-	530	-	-	-	1,230	-	1,410,836	1,511,873
-	-	-	-	-	-	-	-	412,884
-	-	-	-	-	76,390	-	-	76,390
-	-	-	-	855,800	-	-	-	855,800
-	-	-	-	-	-	-	492,303	492,303
3,379	77,928	405,688	98,993	-	-	112,073	-	883,002
3,379	77,928	405,688	98,993	855,800	76,390	112,073	492,303	2,720,379
3,379	78,458	405,688	98,993	855,800	77,620	112,073	1,903,139	4,232,252

Dallas County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2013

	Tax Increment Financing	Wetland Bank Maintenance	County Sheriff Forfeiture	Sheriff Federal Forfeiture	County Attorney Forfeiture
Revenues:					
Property and other county tax	\$ -	-	-	-	-
Tax increment financing	109,529	-	-	-	-
Intergovernmental	-	538,400	-	-	-
Charges for service	-	-	-	-	-
Use of money and property	-	16,018	-	-	-
Miscellaneous	-	-	21,602	21,824	2,071
Total revenues	109,529	554,418	21,602	21,824	2,071
Expenditures:					
Operating:					
Public safety and legal services	-	-	75,828	-	9,677
County environment and education	35,888	-	-	-	-
Governmental services to residents	-	-	-	-	-
Non-program	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	35,888	-	75,828	-	9,677
Excess (deficiency) of revenues over (under) expenditures	73,641	554,418	(54,226)	21,824	(7,606)
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(73,641)	(484,560)	-	-	-
Drainage warrants/drainage improvement certificates issued	-	-	-	-	-
Total other financing sources (uses)	(73,641)	(484,560)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	69,858	(54,226)	21,824	(7,606)
Fund balances beginning of year	-	115,083	410,430	24,790	17,672
Fund balances end of year	\$ -	184,941	356,204	46,614	10,066

See accompanying independent auditor's report.

Special Revenue								
Courthouse Restoration	County Recorder's Records Management	Economic Development	Resource Enhancement and Protection	Conservation Conditional Use	Drainage Districts	Conservation Foundation	Debt Service	Total
-	-	-	-	-	-	-	1,465,210	1,465,210
-	-	-	-	-	-	-	-	109,529
-	-	-	16,550	-	-	-	29,220	584,170
-	25,301	-	-	-	-	-	-	25,301
-	94	1,361	165	74,587	23,246	474	1,539	117,484
-	-	-	-	-	-	91,078	-	136,575
-	25,395	1,361	16,715	74,587	23,246	91,552	1,495,969	2,438,269
-	-	-	-	-	-	-	-	85,505
-	-	-	-	-	-	39,588	-	75,476
-	13,780	-	-	-	-	-	-	13,780
-	-	-	-	-	34,933	-	-	34,933
-	-	-	-	-	-	-	1,576,060	1,576,060
-	13,780	-	-	-	34,933	39,588	1,576,060	1,785,754
-	11,615	1,361	16,715	74,587	(11,687)	51,964	(80,091)	652,515
-	-	-	-	-	-	-	73,641	73,641
-	-	-	-	-	-	-	-	(558,201)
-	-	-	-	-	1,230	-	-	1,230
-	-	-	-	-	1,230	-	73,641	(483,330)
-	11,615	1,361	16,715	74,587	(10,457)	51,964	(6,450)	169,185
3,379	66,313	404,327	82,278	781,213	86,847	60,109	498,753	2,551,194
3,379	77,928	405,688	98,993	855,800	76,390	112,073	492,303	2,720,379

**Dallas County**



Dallas County  
Combining Schedule of Net Position  
Internal Service Funds

June 30, 2013

	Professional Services	Employee Group Health	Total
<b>Assets</b>			
Cash and pooled investments	\$ 857,962	2,356,650	3,214,612
Receivables:			
Accounts	1,689	10,510	12,199
Accrued interest	-	826	826
Due from other governments	212	-	212
Prepaid insurance	208		208
Capital assets, net of accumulated depreciation/amortization	484,490	-	484,490
<b>Total assets</b>	<b>1,344,561</b>	<b>2,367,986</b>	<b>3,712,547</b>
<b>Liabilities</b>			
Accounts payable	122,555	349,663	472,218
Salaries and benefits payable	28,374	-	28,374
Due to other governments	4,824	-	4,824
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	35,728	-	35,728
Portion due or payable after one year:			
Compensated absences	14,773	-	14,773
Net OPEB liability	8,893	-	8,893
<b>Total liabilities</b>	<b>215,147</b>	<b>349,663</b>	<b>564,810</b>
<b>Net Position</b>			
Net investment in capital assets	484,490	-	484,490
Unrestricted	644,924	2,018,323	2,663,247
<b>Total net position</b>	<b>\$ 1,129,414</b>	<b>2,018,323</b>	<b>3,147,737</b>

See accompanying independent auditor's report.

**Schedule 4**

## Dallas County

Combining Schedule of Revenues, Expenses and  
Changes in Fund Net Position  
Internal Service Funds

Year ended June 30, 2013

	Professional Services	Employee Group Health	Total
Operating revenues:			
Reimbursements from operating funds and other governmental units	\$ 2,103,616	2,226,743	4,330,359
Reimbursements from employees and others	-	452,432	452,432
Insurance reimbursements	-	105,890	105,890
Miscellaneous	5,937	-	5,937
Total operating revenues	2,109,553	2,785,065	4,894,618
Operating expenses:			
Medical claims	-	2,479,158	2,479,158
Administrative and other fees	-	360,022	360,022
Central services	428,298	-	428,298
Information technology	1,129,711	-	1,129,711
Operations administration	250,805	-	250,805
Human resources	299,922	-	299,922
Total operating expenses	2,108,736	2,839,180	4,947,916
Operating income (loss)	817	(54,115)	(53,298)
Non-operating revenues (expenses):			
Interest income	-	4,684	4,684
Loss on disposal of capital assets	(30,293)	-	(30,293)
Non-operating revenues (expenses)	(30,293)	4,684	(25,609)
Net loss	(29,476)	(49,431)	(78,907)
Net position beginning of year	1,158,890	2,067,754	3,226,644
Net position end of year	\$ 1,129,414	2,018,323	3,147,737

See accompanying independent auditor's report.

Dallas County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2013

	Professional Services	Employee Group Health	Total
Cash flows from operating activities:			
Cash received from operating funds and other reimbursements	\$ 2,108,541	2,679,531	4,788,072
Cash received from insurance reimbursements	-	96,936	96,936
Cash paid to suppliers for services	(1,981,767)	(2,691,109)	(4,672,876)
Net cash provided by operating activities	126,774	85,358	212,132
Cash flows from capital and related financing activities:			
Purchase of equipment	(254,766)	-	(254,766)
Cash flows from investing activities:			
Interest on investments	-	5,246	5,246
Increase (decrease) in cash and cash equivalents	(127,992)	90,604	(37,388)
Cash and cash equivalents beginning of year	985,954	2,266,046	3,252,000
Cash and cash equivalents end of year	\$ 857,962	2,356,650	3,214,612
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 817	(54,115)	(53,298)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation/amortization	107,251	-	107,251
Changes in assets and liabilities:			
Increase in accounts receivable and due from other governments	(1,012)	(8,598)	(9,610)
Decrease in prepaid insurance	161	-	161
Increase in accounts payable and due to other governments	15,845	148,071	163,916
Increase in salaries and benefits payable	663	-	663
Decrease in compensated absences	(944)	-	(944)
Increase in net OPEB liability	3,993	-	3,993
Net cash provided by operating activities	\$ 126,774	85,358	212,132

See accompanying independent auditor's report.

Dallas County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	1,231	722,030	330,340	10,581
Other County officials	173,110	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	62	786	45,127	1,475
Succeeding year	-	310,000	1,193,000	67,933,000	2,648,000
Accounts	6,951	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid insurance	-	-	336	-	-
<b>Total assets</b>	<b>\$ 180,061</b>	<b>311,293</b>	<b>1,916,152</b>	<b>68,308,467</b>	<b>2,660,056</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	3,179	-	-
Salaries and benefits payable	-	-	25,760	-	-
Due to other funds	2,139	-	-	-	-
Due to other governments	113,307	311,293	1,832,643	68,308,467	2,660,056
Trusts payable	64,615	-	-	-	-
Compensated absences	-	-	54,570	-	-
<b>Total liabilities</b>	<b>\$ 180,061</b>	<b>311,293</b>	<b>1,916,152</b>	<b>68,308,467</b>	<b>2,660,056</b>

See accompanying independent auditor's report.

Corporations	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
199,132	3,106	40,608	1,904,136	694,009	3,905,173
-	-	-	-	-	173,110
28,839	401	-	-	602	77,292
49,411,000	439,000	-	-	3,233,000	125,167,000
-	-	-	-	59,611	66,562
-	-	-	-	25	25
-	-	1,257,101	-	-	1,257,101
-	-	-	-	2,139	2,139
-	-	-	-	87	87
-	-	-	-	3,070	3,406
49,638,971	442,507	1,297,709	1,904,136	3,992,543	130,651,895
-	-	-	-	16,686	19,865
-	-	-	-	3,117	28,877
-	-	-	-	-	2,139
49,638,971	442,507	1,297,709	1,904,136	3,810,936	130,320,025
-	-	-	-	141,590	206,205
-	-	-	-	20,214	74,784
49,638,971	442,507	1,297,709	1,904,136	3,992,543	130,651,895

Dallas County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 145,642	245,094	1,887,490	66,714,818	2,109,298
Additions:					
Property and other county tax	-	310,901	1,195,624	68,054,845	2,653,119
E911 surcharge	-	-	-	-	-
State tax credits	-	5,409	24,777	1,435,761	46,470
Drivers license fees	-	-	-	-	-
Office fees and collections	2,482,642	-	352	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	888,060	-	-	-	-
Miscellaneous	-	9	268,400	2,402	74
Total additions	3,370,702	316,319	1,489,153	69,493,008	2,699,663
Deductions:					
Agency remittances:					
To other funds	1,295,567	-	-	-	-
To other governments	1,147,097	250,120	1,460,491	67,899,359	2,148,905
Trusts paid out	893,619	-	-	-	-
Total deductions	3,336,283	250,120	1,460,491	67,899,359	2,148,905
Balances end of year	\$ 180,061	311,293	1,916,152	68,308,467	2,660,056

See accompanying independent auditor's report.

Corporations	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
50,304,057	439,553	1,442,634	1,753,173	3,749,747	128,791,506
49,166,036	451,897	-	-	3,229,582	125,062,004
-	-	-	-	360,436	360,436
741,284	13,847	-	-	59,311	2,326,859
-	-	-	354,147	-	354,147
-	-	-	-	-	2,482,994
-	-	-	22,461,633	-	22,461,633
-	-	204,597	-	-	204,597
-	-	-	-	1,514,649	2,402,709
2,104	-	-	-	190,789	463,778
49,909,424	465,744	204,597	22,815,780	5,354,767	156,119,157
-	-	-	1,139,561		2,435,128
50,574,510	462,790	349,522	21,525,256	3,555,732	149,373,782
-	-	-	-	1,556,239	2,449,858
50,574,510	462,790	349,522	22,664,817	5,111,971	154,258,768
49,638,971	442,507	1,297,709	1,904,136	3,992,543	130,651,895

Dallas County  
Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 19,141,260	18,439,134	19,118,842	19,030,273
Interest and penalty on property tax	152,413	201,385	199,956	239,000
Tax increment financing	109,529	128,211	115,087	113,173
Intergovernmental	8,483,422	10,356,247	8,966,703	11,527,229
Licenses and permits	142,434	124,719	108,069	111,223
Charges for service	2,895,612	2,537,582	2,414,405	2,341,986
Use of money and property	299,663	625,957	521,825	516,572
Miscellaneous	647,448	679,094	513,084	1,389,911
Total	\$ 31,871,781	33,092,329	31,957,971	35,269,367
Expenditures:				
Operating:				
Public safety and legal services	\$ 7,635,590	7,535,107	7,642,460	6,992,046
Physical health and social services	2,872,561	2,791,212	2,879,816	2,803,326
Mental health	2,490,442	4,803,000	4,535,343	4,182,996
County environment and education	2,837,183	3,179,353	3,079,502	3,126,025
Roads and transportation	7,615,842	6,867,019	6,381,300	6,030,594
Governmental services to residents	1,749,461	1,748,738	1,614,275	1,516,940
Administration	1,512,103	1,671,751	1,582,888	1,531,994
Non-program	111,511	45,728	92,612	149,498
Debt service	1,748,125	1,701,369	1,659,657	1,624,943
Capital projects	2,402,316	1,880,891	1,424,486	1,942,638
Total	\$ 30,975,134	32,224,168	30,892,339	29,901,000

See accompanying independent auditor's report.



Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
17,705,482	16,435,190	14,131,764	12,363,153	12,223,329	12,607,687
267,434	200,150	120,212	129,471	157,069	121,381
124,508	118,668	71,915	69,156	68,393	41,064
11,669,174	9,267,818	8,821,036	8,351,295	8,685,409	8,156,106
114,954	165,210	167,762	228,474	212,699	187,435
2,171,847	2,220,105	2,033,444	2,151,942	1,966,320	1,797,483
758,573	1,214,811	1,352,680	938,619	376,332	243,537
454,448	471,613	582,977	1,156,236	640,509	1,068,399
33,266,420	30,093,565	27,281,790	25,388,346	24,330,060	24,223,092
6,503,733	6,394,696	5,557,939	5,662,792	4,235,897	4,141,707
2,839,385	2,725,731	2,793,823	2,446,243	2,283,649	2,347,396
4,131,844	4,165,304	3,930,862	4,031,506	4,021,399	3,892,605
3,410,286	2,797,350	2,246,610	1,977,690	1,632,788	1,460,257
6,642,798	5,681,840	5,080,974	5,461,934	4,771,237	4,856,470
1,474,652	1,350,487	1,201,824	1,405,061	863,783	740,936
1,459,195	1,504,643	1,652,347	1,487,404	2,582,284	2,744,922
81,993	82,364	35,203	194,704	286,075	287,288
1,957,792	1,374,999	1,429,872	2,168,603	1,086,288	1,084,659
5,709,783	4,599,429	4,809,405	2,580,017	2,170,970	2,200,176
34,211,461	30,676,843	28,738,859	27,415,954	23,934,370	23,756,416

Dallas County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607		\$ 2,041
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the			
Supplemental Nutrition Food Stamp Program	10.561		33,251
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's			
Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIFWP-208	12,360
U.S. Department of Justice:			
Iowa Department of Justice - Crime Victim			
Assistance Division:			
Violence Against Women Formula Grants	16.588	VW-13-02	3,364
Iowa Department of Human Rights - Division of			
Criminal and Juvenile Justice Planning:			
Enforcing Underage Drinking Laws Program	16.727	CJJP-05-M2-005	19,416
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	SRT-ES-E-C025(80)--9H-25	314,668
Highway Planning and Construction	20.205	STP-ES-E-C025(90)-8I-25	2,013
Highway Planning and Construction	20.205	IA-10-02-25-R16-2	54,978
			371,659
Iowa Department of Public Safety - Governor's			
Traffic Safety Bureau:			
Alcohol Traffic Safety and Drunk Driving			
Incentive Grants	20.601	PAP 12-410	7,651
Alcohol Traffic Safety and Drunk Driving			
Incentive Grants	20.601	PAP 13-410	3,305
			10,956
Environmental Protection Agency:			
Iowa Department of Public Health:			
State Indoor Radon Grants	66.032	MOU-2013-RC04	1,784
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5882BT25	5,320
Public Health Emergency Preparedness	93.069	5883BT25	63,162
			68,482
Immunization Grants	93.268	5882I422	2,848
Immunization Grants	93.268	5883I422	4,438
			7,286
The Affordable Care Act: Centers for Disease			
Control and Prevention -			
Investigations and Technical Assistance	93.283	5883NB29	14,764

Dallas County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
Iowa Department of Public Health:			
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	5882HP04	34,476
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	5883HP04	45,591
			<u>80,067</u>
PPHF 2012: Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	5883I422	318
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566		148
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		7,719
Foster Care - Title IV-E	93.658		11,506
Adoption Assistance	93.659		3,222
Medical Assistance Program	93.778		33,076
Social Services Block Grant	93.667		9,926
Children's Health Insurance Program	93.767		127
Children's Health Insurance Program	93.767		590,072
			<u>590,199</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense - Iowa Homeland Security and Emergency Management Division:			
Hazard Mitigation Grant	97.039	DR-1800-00015-01	14,545
Emergency Management Performance Grants	97.042		39,000
Homeland Security Grant Program	97.067	EMW-2012-SS-00028-07	5,813
Total indirect			<u>1,338,861</u>
Total			<u>\$ 1,340,902</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Dallas County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Dallas County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of Dallas County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Dallas County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dallas County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dallas County's internal control. Accordingly, we do not express an opinion on the effectiveness of Dallas County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-13 through II-E-13 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dallas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### Dallas County's Responses to the Findings


Dallas County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Dallas County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Dallas County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 11, 2014

**Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**Dallas County**





**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control Over Compliance  
Required by OMB Circular A-133

To the Officials of Dallas County:

Report on Compliance for Each Major Federal Program

We have audited Dallas County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Dallas County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Dallas County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dallas County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of Dallas County's compliance.

Opinion on Each Major Federal Program

In our opinion, Dallas County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

The management of Dallas County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dallas County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dallas County's internal control over compliance.


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13, we consider to be a significant deficiency.

Dallas County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Dallas County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 11, 2014

Dallas County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) Unmodified opinions were issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs are:
  - CFDA Number 20.205 – Highway Planning and Construction.
  - CFDA Number 93.767 – Children's Health Insurance Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Dallas County did not qualify as a low-risk auditee.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-13 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Receipts – opening mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer
(2) Disbursements – processing claims, check writing, check signing and final approval.	Sheriff

In addition, receipts received through the mail are not restrictively endorsed immediately upon receipt at the Motor Vehicle Division within the Treasurer's Office.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials and personnel from other County offices, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons, to the extent possible, and should be evidenced by the signature or initials of the reviewer and the date of the review.

Responses –

County Treasurer – With a limited number of employees, we make an effort to rotate employees involved in various stages of processing and work assignments for collecting, depositing, posting and daily reconciling.

County Sheriff – Jailers are authorized to prepare checks and sign checks for the Commissary 2 account. There is no real resolution for this issue. Because of the amount of staff on each shift, it is not possible to segregate this duty. However, jailers are restricted in the software program and the Jail Sergeant and 1<sup>st</sup> Chief Deputy are the only ones able to make changes and/or override a check.

The Sheriff and Jail Administrator have hired additional supervision for the Jail. This may eliminate the issue of segregation of duties.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Conclusions – Response accepted for item (1). Response acknowledged for item (2). The Sheriff should continue to review procedures to segregate duties to the extent possible.

- II-B-13 County Sheriff - The Sheriff's Office does not prepare a year-to-date spreadsheet of receipts and disbursements reconciled to the beginning and ending bank balances. Also, a trusts on hand listing was not prepared as of June 30, 2013.

In addition, bank reconciliations were not performed in a manner where a third party can clearly review the bank reconciliation and reconciliations were not performed at the end of the fiscal year, regardless of the bank statement date.

Recommendation – The Sheriff's Office should prepare a year-to-date spreadsheet of receipts and disbursements which should reconcile to the beginning and ending book balances. Additionally, a trusts on hand listing should be prepared at month end and should reconcile to the bank and cashbook balances.

The Sheriff's Office should prepare a year end bank reconciliation for each account, regardless of the ending date of the bank statement. Bank reconciliations should include documentation which clearly lists the bank balance, book balance, a detailed list of outstanding checks, deposits in transit and other reconciling items. The reconciling items list should be reviewed on a monthly basis. Any deposits or other reconciling items which remain outstanding for multiple months should be investigated and resolved.

Response – The Sheriff's Office Civil Department has new software which will allow us to prepare the required reports. The Sheriff's Office has made arrangements for all of the bank accounts to end at the end of the month for reconciliation. An employee will be dating and signing off on each bank reconciliation as a dual check.

We have been given a spreadsheet to work on the receipts and disbursements. We will begin using this in the year 2013-2014.

Conclusion – Response accepted.

- II-C-13 Review and Approval of Timesheets – The following timesheet exceptions were noted:

- a) Five timesheets with no employee signature.
- b) Six timesheets with no supervisor signature.
- c) One department head does not complete a timesheet.

In addition, timesheets for some department heads are not being reviewed.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Recommendation – The County should enforce its policies and procedures to ensure all timesheets are signed by the employee and are then reviewed/approved by the employee's supervisor prior to submission for payroll processing.

Response – Our practice is to review all submitted timesheets for proper signature by the employee and their supervisor. All submitted timesheets, including those of department heads, are reviewed by Human Resources biweekly before they are submitted for payroll processing. All employees and department heads have been informed of the timesheet submittal policy which can be found in Section 5.3 of the Dallas County Employee Handbook.

Conclusion – Response accepted.

- II-D-13 County Recorder – The County Recorder's Office does not prepare an initial listing of mail receipts.

Recommendation – The County Recorder's Office should prepare an initial listing of mail receipts. Additionally, this listing should be reviewed by an independent person for propriety.

Response – At this time, the Recorder's Office feels it has ample checks and balances in place to ensure the proper transmittal chain of documents and monies, and it does not believe creating an initial listing would create any more security than is already in place; it would only create more work resulting in the same result. The bank reconciliation is checked against daily balances, which are checked daily against recorded documents in the computer and against cash register tapes ensuring accuracy. Each of these steps is completed by a different person so that not just one person has total control of the office's finances.

Conclusion – Response acknowledged. The County Recorder should consider preparing an initial listing of mail receipts on a periodic basis, which should be reviewed by an independent person.

- II-E-13 Ambulance Billings – The County has contracted with a third party to administer ambulance billings and collections. The County does not perform a reconciliation of collections to the bank statement. In addition, the County does not reconcile ambulance calls to amounts billed.

Recommendation – The County should develop procedures to ensure ambulance billings and collections are complete and accurate.

Response – We are working with the EMS Director to obtain the information necessary for reconciliation. We are also requesting the third party to work with us for a better way to do this on a monthly basis.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 20.205: Highway Planning and Construction**

**Pass-through Agency Number: IA-10-02-25-R16-2**

**Federal Award Year: 2012**

**U.S Department of Transportation**

**Passed-through the Iowa Department of Transportation**

III-A-13      Grant Activity – The County did not request payroll records for one contract  
(2013-001)      totaling \$29,360 to determine compliance with the Davis-Bacon Act.

Recommendation – The County should request payroll records for projects  
subject to the Davis-Bacon Act.

Response – This was a mistake and we will correct our procedures in the  
future.

Conclusion – Response accepted.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-13 Certified Budget – During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted by function.

IV-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-13 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-13 Business Transactions – The following business transaction between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Penny Freestone, Auditor's Office employee, Mother of Ashlyn Freestone	Election work	\$ 201

In accordance with Chapter 331.342(2)(J) of the Code of Iowa, the transaction for election work does not appear to represent a conflict of interest since the total transactions with the individual were less than \$1,500 during the fiscal year.

IV-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-13 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-13 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-13 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.



Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

IV-J-13 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the following reporting exceptions were noted on the Levy Authority Summary:

- The amount reported as TIF debt outstanding for the Ortonville Business Park urban renewal area was overstated by \$995,724.
- The reported beginning fund balance, revenues, expenditures and ending fund balance were not accurate.

Recommendation – The County should ensure the amounts reported on the Levy Authority Summary agree with the County's records.

Response – The County has corrected all the errors and will continue to closely monitor our reporting to ensure accurate information is reported.

Conclusion – Response accepted.

IV-K-13 Financial Condition – The Special Revenue, Mental Health Fund had a deficit balance of \$472,785 at June 30, 2013.

Recommendation – The County should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Response – Due to the changes in the mental health funding and the regionalization, we feel optimistic the deficit fund balance will be corrected.

Conclusion – Response accepted.

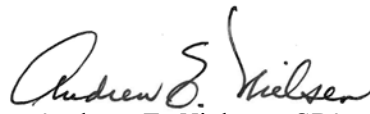
---

Dallas County

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Brian P. Schenkelberg, CPA, Senior Auditor II  
Elissa R. Olson, Staff Auditor  
Laura M. Wernimont, Staff Auditor  
Tiffany N. Aliprandi, Assistant auditor  
Melissa E. Janssen, Assistant Auditor  
Janell R. Wieland, Assistant Auditor  
Tyler L. Bishop, Auditor Intern

  
Andrew E. Nielsen, CPA  
Deputy Auditor of State